



China Stationery Limited

(Incorporated in Bermuda under the Companies Act 1981 of Bermuda)

(Company Registration No.: 40535)

(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia)

(Malaysian Branch Registration No.: 995224-W)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED
30 JUNE 2014**

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

Unaudited Condensed Consolidated Statement Of Comprehensive Income

		Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
		30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
	Notes	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	121,097	501,812	63,491	259,688	424,258	952,067	222,438	492,695
Cost of sales		(59,480)	(277,359)	(31,185)	(143,533)	(240,080)	(528,223)	(125,874)	(273,355)
Gross profit		61,617	224,453	32,306	116,155	184,178	423,844	96,565	219,340
Other income		24,971	1,847	13,092	956	26,448	3,552	13,867	1,838
Selling and distribution expenses		(3,631)	(33,602)	(1,904)	(17,389)	(44,557)	(44,091)	(23,361)	(22,817)
Administrative expenses		(525,405)	(13,031)	(275,470)	(6,744)	(532,804)	(23,805)	(279,349)	(12,319)
Other expenses		(1)	(13,142)	(1)	(6,801)	(3)	(29,888)	(2)	(15,467)
Finance costs		(892)	(876)	(468)	(453)	(1,755)	(1,730)	(920)	(895)
(Loss)/Profit before taxation	B2	(443,341)	165,649	(232,444)	85,724	(368,493)	327,882	(193,201)	169,680
Income tax expense		(16,477)	(47,817)	(8,639)	(24,745)	(37,444)	(96,261)	(19,632)	(49,815)
Total comprehensive (Loss)/Profit after tax	B2	(459,818)	117,832	(241,083)	60,979	(405,937)	231,621	(212,833)	119,865



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

Unaudited Condensed Consolidated Statement Of Comprehensive Income (continue)

		Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
		30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
	Notes	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
(Loss)/Profit attributable to:-									
- Equity holders of China Stationery Limited		(459,818)	117,832	(241,083)	60,979	(405,937)	231,621	(212,833)	119,865
Total comprehensive (loss)/income attributable to:-									
- Equity holders of China Stationery Limited		(459,818)	117,832	(241,083)	60,979	(405,937)	231,621	(212,833)	119,865
Earnings per share									
- Basic (cents/sen)	B12	-37.00	9.48	-19.40	4.91	-32.66	18.64	-17.13	9.64

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2013 and the accompanying explanation notes attached to this financial report.

Note:

- (1) The financial statement are presented in Renminbi (“RMB”) and translated into Ringgit Malaysia (“RM”) for information purpose and reference at the average exchange rate of RMB 1: RM 0.5243 (Source: <http://www.oanda.com/currency/average>) for the financial period ended 30 June 2014 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amount actually represented have been or could be converted in RM at this or any other rate.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

Condensed Consolidated Statements Of Financial Position

	Unaudited	Audited	Unaudited	Audited
	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013
	RMB'000	RMB'000	RM'000	RM'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	209,420	368,282	109,296	198,246
Land use rights	14,414	14,573	7,523	7,845
Investment property	145	145	76	78
	223,979	383,000	116,895	206,169
Current assets				
Inventories	15,997	37,019	8,349	19,927
Trade and other receivables	731,496	326,308	381,766	175,652
Amount due from shareholder	351	276	183	149
Cash and bank balances	1,955,443	2,366,087	1,020,546	1,273,665
	2,703,287	2,729,690	1,410,844	1,469,392
Less:				
Current liabilities				
Trade payables and other payables	341,613	66,046	178,288	35,553
Interest-bearing bank borrowings	8,800	54,400	4,593	29,284
Amount due to a shareholder	-	4,113	-	2,214
Income tax payable	17,681	23,022	9,228	12,393
	368,094	147,581	192,109	79,443
Net current assets	2,335,193	2,582,109	1,218,735	1,389,949
Non-current liability				
Deferred income tax liabilities	38,623	38,623	20,157	20,791
	38,623	38,623	20,157	20,791
Net assets	2,520,549	2,926,486	1,315,473	1,575,327



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

Condensed Consolidated Statements Of Financial Position (continue)

	Unaudited	Audited	Unaudited	Audited
	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013
	RMB'000	RMB'000	RM'000	RM'000
EQUITY				
Share capital	6,226	6,226	2,856	2,856
Reserves	2,514,323	2,920,260	1,312,617	1,572,471
Total equity	2,520,549	2,926,486	1,315,473	1,575,327
Net asset per share attributable to equity holders of the Company (RMB/RM)	2.03	2.35	1.06	1.27

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2013 and the accompanying explanation notes attached to this financial report.

Notes:

- (1) The net assets per share attributable to equity holders of the Company is computed based on the net assets at 30 June 2014 and 31 December 2013 divided by the number of ordinary shares of 1,242,760,588.
- (2) The financial statement are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purpose and reference at the exchange rate of RMB 1: RM 0.5219 (Source: <http://www.oanda.com/currency/historical-rates/>) at 30 June 2014 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented have been or could be converted in RM at this or any other rate.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

Unaudited Condensed Consolidated Statement Of Changes in Equity

6 months ended 30 June 2014	Share Capital	Capital Reserve	Share Premium	Treasury Shares	Merger Deficit	Statutory Reserves	Translation Reserves	Retained Earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	6,226	64	449,936	(4,006)	(4,150)	101,949	-	2,376,467	2,926,486
Net loss for the period	-	-	-	-	-	-	-	(405,937)	(405,937)
Treasury share – share buy back	-	-	-	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-
Dividend declared	-	-	-	-	-	-	-	-	-
Balance at 30 June 2014	6,226	64	449,936	(4,006)	(4,150)	102,535	-	1,970,530	2,520,549

6 months ended 30 June 2014	Share Capital	Capital Reserve	Share Premium	Treasury Shares	Merger Deficit	Statutory Reserves	Translation Reserves	Retained Earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2014	2,856	29	216,088	(2,081)	(1,875)	47,725	37,531	1,269,889	1,570,162
Currency Translation difference	-	-	-	-	-	48	(12,293)	(10,823)	(23,068)
Net loss for the period	-	-	-	-	-	-	-	(231,621)	(231,621)
Treasury share – share buy back	-	-	-	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-
Dividend declared	-	-	-	-	-	-	-	-	-
Balance at 30 June 2014	2,856	29	216,088	(2,081)	(1,875)	47,773	25,238	1,027,445	1,315,473

The unaudited Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2013 and the accompanying explanation notes attached to this financial report

Note:

- The financial statement are presented in Renminbi (“RMB”) and translated into Ringgit Malaysia (“RM”) for information purpose and reference at the exchange rate of RMB 1: RM 0.5219 (Source: <http://www.oanda.com/currency/historical-rates/>) as at 30 June 2014 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented have been or could be converted in RM at this or any other rate.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

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Unaudited Condensed Consolidated Statement Of Changes in Equity (Continue)

6 months ended 30 June 2013	Share Capital	Capital Reserve	Share Premium	Treasury Shares	Merger Deficit	Statutory Reserves	Translation Reserves	Retained Earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013	6,226	64	449,936	-	(4,150)	100,629	-	2,030,801	2,583,506
Net profit for the period	-	-	-	-	-	-	-	231,621	231,621
Transfer to statutory reserves	-	-	-	-	-	930	-	(930)	-
Dividend declared	-	-	-	-	-	-	-	(43,350)	(43,350)
Balance at 30 June 2013	<u>6,226</u>	<u>64</u>	<u>449,936</u>	<u>-</u>	<u>(4,150)</u>	<u>101,559</u>	<u>-</u>	<u>2,218,142</u>	<u>2,771,777</u>

6 months ended 30 June 2013	Share Capital	Capital Reserve	Share Premium	Treasury Shares	Merger Deficit	Statutory Reserves	Translation Reserves	Retained Earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2013	2,726	29	163,474	-	(1,875)	45,818	45,246	967,870	1,223,288
Currency Translation difference	130	-	52,614	-	-	1,015	(28,956)	45,927	70,730
Net profit for the period	-	-	-	-	-	-	-	119,864	119,864
Transfer to statutory reserves	-	-	-	-	-	474	-	(474)	-
Dividend declared	-	-	-	-	-	-	-	-	-
Balance at 30 June 2013	<u>2,856</u>	<u>29</u>	<u>216,088</u>	<u>-</u>	<u>(1,875)</u>	<u>47,307</u>	<u>16,290</u>	<u>1,133,187</u>	<u>1,413,882</u>

The unaudited Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2013 and the accompanying explanation notes attached to this financial report.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

Unaudited Condensed Consolidated Statement Of Cash Flow

	As at 30 June 2014	As at 30 June 2013	As at 30 June 2014	As at 30 June 2013
	RMB'000	RMB'000	RM'000	RM'000
Cash flows from operating activities				
(Loss)/Profit before taxation	(368,493)	327,882	(193,201)	169,679
Adjustment for				
Interest income	(25,599)	(3,533)	(13,422)	(1,828)
Depreciation of property, plant and equipment	14,024	13,903	7,353	7,195
Amortisation of land use rights	159	158	83	82
Loss on other investment	-	29,885	-	15,465
Interest expenses	1,755	1,730	920	895
Impairment loss on fire incident on 4 April 2014	246,023	-	128,990	-
Operating (loss)/profit before working capital changes	(132,131)	370,025	(69,276)	191,488
Decrease/(Increase) in inventories	21,022	(6,080)	11,022	(3,146)
(Increase) in trade and other receivables	(404,912)	(44,239)	(212,295)	(22,893)
(Decrease)/Increase in trade payables	(49,275)	11,482	(25,835)	5,942
Increase in accrued liabilities and other payables	324,842	(9,560)	170,315	(4,947)
Cash generated from operations	(240,454)	321,628	(126,070)	166,444
Interest received	25,599	3,533	13,422	1,828
Interest paid	(1,755)	(1,730)	(920)	(895)
Income tax paid	(42,785)	(83,005)	(22,432)	(42,955)
Net cash generated from operating activities	(259,335)	240,426	(136,001)	124,422
Cash flows from investing activities				
Purchase of property, plant and equipment	(101,185)	(59,663)	(53,051)	(30,876)
Net cash used in investing activities	(101,185)	(59,663)	(53,051)	(30,876)
Cash flows from financing activities				
Repayment of bank loans	(45,600)	-	(23,908)	-
Shareholder's loan	(4,464)	-	(2,340)	-
Net cash used in financing activities	(50,064)	-	(26,249)	-
Net increase in cash and cash equivalents	(410,644)	180,763	(215,301)	93,545
Cash and cash equivalents at 1 January	2,366,087	1,889,491	894,674	894,674
Effect on exchange rate on cash and bank balances on opening	-	-	345,865	83,138
Effect on exchange rate changes and translation	-	-	(4,693)	(15,320)
Cash and cash equivalents at 30 June	<u>1,955,443</u>	<u>2,070,254</u>	<u>1,020,546</u>	<u>1,056,037</u>

The unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2013 and the accompanying explanation notes attached to this financial report.

Note:

- (1) The financial statement are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purpose and reference at the average exchange rate of RMB 1: RM 0.5243 (Source: <http://www.oanda.com/currency/average>) as at 30 June 2014 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented have been or could be converted in RM at this or any other rate.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

A. EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014

1(a). Basis of preparation

i) The interim financial statements are unaudited and have been prepared in accordance with the International Accounting Standard (“IAS”), IAS 34 Interim Financial Reporting and paragraph 9.22(2) and Part A of Appendix 9B of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, and should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2013 and the accompanying explanatory notes attached to this unaudited financial report.

ii) Changes in accounting policies

There are no changes in accounting policies for the second quarter ended 30 June 2014.

iii) Basic of consolidation

A business combination involving entities under common controls is a business combination in which all the combining entities or business are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The consolidated financial statements of the Group have been prepared using the historical cost method similar to the pooling of interest as it is a common control business combination. Under the historical cost method, the acquired assets and liabilities are recorded at their existing carrying amounts. Consistent accounting policies are applied for like transactions and events in similar circumstances. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. In the Company’s financial statements, investments in subsidiary are carried at cost less any impairment in net recoverable value that has been recognized in profit or loss.

iv) Functional currency and translation to presentation currency

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in Renminbi, which is the functional currency of the Group.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and area involving a high degree of judgements are described below:

Critical assumption used and accounting estimates in applying accounting policies

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment according to the common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.



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Impairment loss on other investment

Other investment is financial assets categorised as fair value through profit or loss. The fair value of other investment traded in active markets is based on quoted market prices at the end of the reporting period. The management deemed the quoted market price as the fair value of the other investment. The surplus or shortfall between the fair value with the carrying amount is recognised in profit or loss.

Income tax

The Group has exposure to income taxes in the PRC. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Allowance for inventory obsolescence

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realizable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

Allowance for bad and doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

1(b). Interpretations and amendments to published standards effective in 2012

On 1 January 2012, the Group adopted the new or amended IFRS and IFRS Interpretations Committee (“IFRSC”) that are mandatory for application from that date. This includes the following IFRS and IFRSC, which are relevant to the Group:

Reference	Description
IAS 1	Presentation of Financial Statements - Amendments to review the way other comprehensive income is presented
IAS 24	Related Party Disclosure - Revised definition of related party
IAS 32	Financial Instruments: Presentation - Amendments relating to classification of rights issues

Improvements to IFRSs 2010

The adoption of these new/revised IFRS and IFRSC did not result in substantial changes to the Group’s accounting policies nor any significant impact on these financial statements.



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1(c) IFRS not yet effective

At the date of authorisation of these financial statements, the following IFRS and IFRSC were issued but not yet effective:

Reference	Description	Effective date (annual periods beginning on or after)
IFRS 1	Amendments for government loan with a below-market rate of interest when transitioning to IFRSs	1 January 2013
IFRS 7	Financial Instruments Disclosures: Amendments related to the offsetting of assets and liabilities	1 January 2013
IFRS 9	Financial Instruments - Classification of Financial Assets and Financial Liabilities	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 16	Property, Plant and Equipment	1 January 2013
IAS 27 (as revised in 2011)	Separate Financial Statements	1 January 2013

The directors do not anticipate that the adoption of the above IFRS and IFRSC in future periods will have a material impact on the financial statements of the Group in the period of their initial adoption.

Management is currently considering the revised definition to determine whether any additional disclosures will be required and has yet to put systems in place to capture the necessary information. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 31 December 2013.

The Company is classified as an affected Listed Issuer pursuant to Practice Note 17 of the Main Market Listing Requirements as announced on 8 July 2014.

2. Audit report of the Group's preceding annual financial statements

The Group's audited consolidated financial statements for the financial year ended 31 December 2013 were subject to Basis of Disclaimer of Opinion.

3. Seasonality or cyclicity of operation

The business of the Group was not affected by any significant seasonal and cyclical factors for the current quarter and financial year-to-date.

4. Unusual items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date.

5. Changes in estimates

Not applicable as there were no estimates being reported during the prior periods.

6. Changes in share capital and debts

There were no other issuance, cancellations, repurchase, resale and repayment of debt and equity securities, share buy backs, share cancellation, shares held as treasury shares and resale of treasury shares for first quarter.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

7. Segment information

	<u>6 months ended 30 June 2014</u>		
	<u>Patented</u>	<u>Non-Patented</u>	<u>Total</u>
	<u>Products</u>	<u>Products</u>	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Revenue	180,429	243,829	424,258
Segment results	92,567	91,611	184,178
Other income			26,448
Selling and distribution expenses			(44,557)
Administrative expenses			(532,804)
Other operating expenses			(3)
Finance expenses			(1,755)
Profit before taxation			(368,493)
Income tax expense			(37,444)
Total Profit after tax			(405,937)
Other segment information:			
Capital expenditure			101,185
Depreciation of property, plant and equipment			14,024
Amortisation of intangible assets			159

	<u>6 months ended 30 June 2014</u>		
	<u>Patented</u>	<u>Non-Patented</u>	<u>Total</u>
	<u>Products</u>	<u>Products</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	94,599	127,840	222,438
Segment results	48,533	48,032	96,565
Other income			13,867
Selling and distribution expenses			(23,361)
Administrative expenses			(279,349)
Other operating expenses			(2)
Finance expenses			(920)
Profit before taxation			(193,200)
Income tax expense			(19,632)
Total Profit after tax			(212,833)
Other segment information:			
Capital expenditure			53,051
Depreciation of property, plant and equipment			7,353
Amortisation of intangible assets			83

Note:

- The financial statements are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purpose and reference at the average exchange rate of RMB 1: RM 0.5243 (Source: <http://www.oanda.com/currency/average>) for the financial period ended 30 June 2014 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented have been or could be converted in RM at this or any other rate.



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7. Segment information (Continue)

	<u>6 months ended 30 June 2013</u>		
	<u>Patented</u>	<u>Non-Patented</u>	<u>Total</u>
	<u>Products</u>	<u>Products</u>	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Revenue	332,479	619,588	952,067
Segment results	181,280	242,564	423,844
Other income			3,552
Selling and distribution expenses			(44,091)
Administrative expenses			(23,805)
Other operating expenses			(29,888)
Finance expenses			(1,730)
Profit before taxation			327,882
Income tax expense			(96,261)
Total Profit after tax			231,621
Other segment information:			
Capital expenditure			59,663
Depreciation of property, plant and equipment			13,903
Amortisation of intangible assets			158

	<u>6 months ended 30 June 2013</u>		
	<u>Patented</u>	<u>Non-Patented</u>	<u>Total</u>
	<u>Products</u>	<u>Products</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	172,058	320,637	492,695
Segment results	93,812	125,527	219,339
Other income			1,838
Selling and distribution expenses			(22,817)
Administrative expenses			(12,319)
Other operating expenses			(15,467)
Finance expenses			(895)
Profit before taxation			169,679
Income tax expense			(49,815)
Total Profit after tax			119,864
Other segment information:			
Capital expenditure			30,876
Depreciation of property, plant and equipment			7,195
Amortisation of intangible assets			82

Note:

- (1) The financial statement are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purpose and reference at the average exchange rate of RMB1: RM 0.5175 (Source: <http://www.oanda.com/currency/average>) for the financial period ended 30 June 2013 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented been or could be converted in RM at this or any other rate.



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8. Subsequent events

A fire had occurred at China Stationery's production plant located at No. 2899, Jin Jiang West Road, Hanjing District, Putian, Fujian Province, The People's Republic of China ("PRC") at about 1:30am on 4 April 2014.

The plant involved is an individual designed five-storey detached factory building and is used for the production of polypropylene (PP) sheets as well as a warehouse for PP resin, PP sheets and recycled PP resin.

The Company has a total of five (5) production plants located in the PRC measuring approximately 50,000 square metres in total area, of which the area of the plant gutted by the fire measuring approximately 10,000 square metres, constituting 20% of the total floor area.

The fire did not spread to the other production plant of the Company. The production capacity of the affected plant represents 40% out of the total production capacity of all the plants of China Stationery for 2013 financial year.

The affected production plant is currently sealed off by police authority of PRC and prohibited from entrance by outsiders save for the investigating police. In view thereof, Management of China Stationery and insurance representatives are unable to access to the scene to ascertain the total damage caused by the fire incident as of to-date.

There is insurance coverage against the damage caused by fire to the equipment, raw materials and finished products housed and/or kept in the affected plant. The Company and the insurance company are unable to ascertain the amount of damage and loss to the equipment, raw materials and finished products due to the current inaccessibility to the affected plant.

Management of the Company is in the midst of liaising with the customers of the Company in regard to the fire incident and looking for their understanding on such incident. None of the customers have initiated legal proceedings to demand for compensation in view of the delays in fulfilling their orders due to the fire incident.

Following the fire incident, the Company had on 17 April 2014 submitted an application for extension of time for a period of two months from the respective deadlines for issuance of the Audited Financial Statements for FYE2013 and Quarterly Results for the period ended 31 March 2014 (1QFY2014), in order to comply with Paragraph 9.23(2) and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

Bursa Securities has granted China Stationery an extension of time of:

- i. Two (2) months from 1 May 2014 until 30 June 2014 ("Extended Deadline") to announce its Audited Financial Statements for FYE2013, which is due on 30 April 2014; and
- ii. Two (2) months from 1 June 2014 until 31 July 2014 ("Extended Deadline") to announce the 1QFY2014 report for the financial period ended 31 March 2014 which is due on 31 May 2014.

The Company failed to meet the extended deadline to submit its Audited Financial Statements for FYE2013 on 30 June 2014 as the management needed more time to provide sufficient evidence to External Auditors Messrs RT LLP for complete the audit procedures and issue an audit report.

Nonetheless, China Stationery had on 8 July 2014 submitted the Audited Financial Statements for FYE2013, a day before the Company's shares being suspended from trading. The Company however is categorised as a Practice Note 17 (PN17) company by Bursa Securities as the External Auditors had issued a "disclaimer opinion" on the Company's audited financial accounts for FYE2013 reason being not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Police Investigation Report had issued on 25 July 2014. As per the Police Investigation Report, approximately 12,000 square metres, out of the total floor area of 16,500 square metres was gutted by the fire. The extent of loss arising from the fire incident is estimated at RMB 332,734,796.76. It is concluded that the cause of the fire was due to electrical short circuit at a section of the production area of Plant No. 4. The ignited electrical cable fell on the easily inflammable semi-finished products kept within the production floor. No casualty or injuries had been reported



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8. Subsequent events (Cont'd)

On 15 August 2014 the Company has engaged M & A Securities Sdn Bhd to act as adviser to the Company to conceptualise a regularisation plan to address its PN17 status.

The Company will make the necessary announcement on the regularisation plan in due course.

Please refer to the related announcements made on 8 April 2014, 17 April 2014, 25 April 2014, 28 April 2014, 30 April 2014, 8 May 2014, 30 May 2014, 26 June 2014, 30 June 2014, 1 July 2014, 2 July 2014, 8 July 2014, 1 Aug 2014 and 15 Aug 2014 for full detail of the announcements.

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9. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter.

10. Contingent liability or assets

There were no material contingent liabilities or assets which may have material effect on the financial position of the Group.

11. Property, plant and equipment

The Group acquired an additional property, plant and equipment amounting to RMB 101.85 million (RM 53.74 million) during the 6 months period ended 30 June 2014.

12. Capital commitment

Save as disclosed below, the Group is not aware of any material commitments, which upon becoming enforceable may have a material effect on the financial position of our Group:-

	As at	As at
	30 June 2014	30 June 2014
	RMB'000	RM'000
Unpaid capital contribution in Ruiyuan ⁽¹⁾	34,469	17,983
Unpaid capital contribution in Sakura Stationery ⁽¹⁾	36,439	19,010
Construction cost for the New Plant ⁽²⁾	190	99
Total	71,098	37,092

Notes:

- (1) The unpaid capital contribution in Ruiyuan and Sakura Stationery denominated in USD i.e. USD5.6 million and USD 5.92 million respectively and are translated to RMB and RM at the exchange rates as at 30 June 2014 of USD 1: RMB 6.1552 and USD 1: RM 3.2112.
- (2) Our Group has unpaid capital expenditure in Sakura Plastics, Ruiyuan and Sakura Stationery of an amount of approximately RMB 0.19 million for the construction of the two (2) additional new buildings on the New Plant Land.



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13. Significant related party transactions

The Group has entered into a Lease Agreement with the spouse of key management which is analysed as follows:

	Individual Quarter		Cumulative Quarter	
	RMB'000	RM'000	RMB'000	RM'000
Lease rental	60	32	60	32

14. Financial Instruments with off balance sheet risks

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the group. Management has in place processes and procedures to monitor the Group's risk exposures whilst balancing the costs associated with such monitoring and management against the costs of risk occurrence. The Group's risk management policies are reviewed periodically for changes in market conditions and the Group's operations.

The Company and the Group are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

As at 30 June 2014 and 31 December 2013, the Group's financial instruments mainly comprise cash and bank balances, trade and other receivables, trade payables, accrued liabilities and other payables, amount due to a shareholder and bank borrowings.

15. Reserves

	As at 30 June		As at 31 December	
	2014	2014	2013	2013
	RMB'000	RM'000	RMB'000	RM'000
Capital reserve	64	29	64	29
Share premium	449,936	216,088	449,936	216,088
Treasury shares	(4,006)	(2,081)	(4,006)	(2,081)
Merger deficit	(4,150)	(1,875)	(4,150)	(1,875)
Statutory reserve	101,949	47,773	101,949	47,725
Translation reserves	-	25,238	-	37,484
Retained earnings	1,970,530	1,027,445	2,376,467	1,275,100
Total	2,514,323	1,312,617	2,920,260	1,572,471

(a) Capital Reserve

The capital reserve represents the premium arising from the issue of shares prior to 1 January 2008.

(b) Share Premium

The share premium represents the excess of issue price over the par value of the shares issued, net of share issue expenses.



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15. Reserves (continue)

(c) Treasury shares

During the annual general meeting of the company held on 28 June 2013, shareholders of the Company have approved the Company to repurchase its own shares. During quarter three of the financial year the Company has repurchased 10,000,100 shares at the cost of RMB 3,992,013 / RM 2,073,452 which were held as treasury shares.

Movement in the treasury shares is as follow:

	Number of shares	RMB	RM	Average cost per share
As at 1 January 2014	10,000,100	3,992,013	2,073,452	0.2073
Repurchase share on 27 February 2014	100	117	62	0.6201
As at 30 June 2014	10,000,200	3,992,130	2,073,514	0.2073

(d) Merger Deficit

The merger deficit arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiaries acquired under the pooling of interests method of accounting.

(e) Statutory Reserves

In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Company established in the PRC are required to transfer 10% of its profit after taxation prepared in accordance with the accounting regulation in the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

In addition, the Group is required to transfer 5% of its profit after taxation prepared in accordance with the accounting regulations in the PRC to statutory welfare reserve. The use of the statutory public welfare reserve is restricted to capital expenditure for employees' facilities. The statutory public welfare reserve is non-distributable except upon liquidation.



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B. INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD UNDER LISTING REQUIREMENTS

1. Review of the performance of the Group

Our revenue decreased by approximately RMB 527.81 million or approximately 55.44% from approximately RMB 952.07 million in preceding period ended 30 June 2013 (“2Q2013”) to approximately RMB 424.26 million in current period ended 30 June 2014 (“2Q2014”) mainly due to decrease in sales of our Patented products and non-patented products.

Sales of Patented Products decreased by approximately RMB 152.05 million or approximately 45.73% from approximately RMB 332.48 million in 2Q 2013 to approximately RMB 180.43 million in 2Q 2014 mainly attributed decrease in sales volume for plastic tape printers in 2Q 2014. The decrease mainly due to economic slowdown in global market.

Sales of Non-Patented Products decreased by approximately RMB 375.76 million or approximately 60.65% from approximately RMB 619.59 million in 2Q 2013 to approximately RMB 243.83 million in 2Q 2014 was mainly due to fire incident on 4 April 2014 caused the plant sealed by police department for investigation. Police Investigation Report had issued on 25 July 2014. Therefore no production and sale on Non-Patented products in quarter 2.

On Overall, our gross profit (“GP”) decrease by approximately RMB 239.66 million or approximately 56.55% from approximately RMB 423.84 million in 2Q 2013 to approximately RMB 184.18 million in 2Q 2014 with an average GP margin of 43.41% and 44.52% for 2Q 2014 and 2Q 2013 respectively.

Our (loss)/profit after tax (“PAT”) decrease by approximately RMB 696.38 million or approximately 212.39% from approximately profit of RMB 327.88 million in 2Q 2013 to approximately loss of RMB 368.49 million in 2Q 2014 with an average PAT margin of -86.86% and 34.44% respectively for 2Q 2014 and 2Q 2013. The huge loss in 2Q 2014 was mainly due to sale revenue reduced 55.44% as compared with 2Q 2013 and impairment loss on the fire amounted RMB 514.27 million.



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2. Variation of results against immediate preceding quarter

	Current Quarter 30 June 2014		Preceding Quarter 31 March 2014	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	121,097	63,491	303,161	163,343
(Loss)/Profit Before Taxation ("PBT")	(443,341)	(232,444)	74,848	40,328
(Loss)/Profit After Taxation ("PAT")	(459,818)	(241,083)	53,881	29,031

The Group recorded revenue of approximately RMB 121.10 million in the current quarter, which lower than last quarter by 60.05% mainly due fire caused plant 4 sealed by Police department for investigation. Therefore no production and sale of non-patented product in quarter 2.

The GP margin for current quarter is 50.88% as compare to 40.42% in preceding quarter mainly due to no production of Non-Patented product but only produced high margin of Patented product.

The PBT margin for current quarter is -366% as compare to 24.6% in preceding quarter. The decrease in PBT margin for current quarter was mainly due to impairment loss on fire amounted RMB 514.27 million.

The PAT margin for the current quarter is -379.71% as compare to 17.77% in preceding quarter. The decrease in PAT was mainly due reason as stated above.

3. Prospects

In FY2014, we foresee facing more challenges under the current economic environment and impact by reduced orders from customers affected by the fire incident. Another major challenge facing us is that the insurance company would not cover for loss of business income applies to the loss suffered by the Company during the time required to repair or replace the damaged property. Nevertheless, the Company is preparing for remedial works to commence once the affected plant is allowed for access by the PRC police.

The Group expects its growth to continue to be underpinned by our innovative Patented and Non-Patented. To help us take on these challenges we will be investing in research and development in order for us to come out with more innovative products as well as exploring new markets to further expand our product presence.



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3. Prospects (continue)

The factors that are likely to influence the Group performance for FY2014 are as follows:-

(a) Currency Exchange Risk

The value of the RMB against foreign currencies is subject to changes in the PRC Government's policies and international economic and political developments.

An appreciation of the RMB may adversely affect our revenue as most of our revenue is derived from export to overseas markets and most of our overseas customers make payment in USD. However, our Executive Directors are of the opinion that a gradual appreciation of the RMB will have minimal impact on our Group's export revenue and profit margins as our Group is not operating on a price war strategy but differentiate our products by quality and innovativeness. Our Executive Directors are of the view that our Group will be able to increase our product prices should the RMB appreciate in value as we are constantly developing new products to address our customers' requirements.

Devaluation or depreciation of the RMB may affect our costs of sale as we make payment to our suppliers of PP materials in USD. Devaluation or depreciation of the RMB will also affect the amount of dividends or other distributions received by our Shareholders as well as any foreign currency obligations we may have. A revaluation or an appreciation of the RMB on the other hand may affect the amount of funds that we receive in RMB from fund raising activities outside the PRC as well as increased competition from imported/international stationery producers.

(b) Slow down of Europe Country Economy

Currently Europe market contributed approximately 15% of our total revenue. But due to the unforeseen Europe country economic crisis, to the certain extent it will also affect our group revenue.

(c) Supply and Price of PP Materials

PP materials are major components of our cost of sales. As PP materials are by-products of crude oil, the prices of PP materials are also affected to a certain extent by the movement of crude oil prices.

As a result, should there be any significant increase in the price of PP materials due to demand and supply conditions or increases in crude oil prices, and if we are unable to pass on such increase in costs to our customers, our profitability and thus our financial performance would be adversely affected.

Should there be a shortage of PP materials and our suppliers are unable to fulfil our requirements as contracted, our production, sales and financial performance would be adversely affected.

(d) Supply of production equipments from our supplier

Supplier unable to supply the equipment on time due to technical issue so affect our production schedule and launching time.

Barring unforeseen circumstances, the Group is optimistic about its performance in FY2014.



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4. Profit forecast

Our Group does not have any profit forecast or guarantee in the public documents.

5. Income tax expenses

	Individual Quarter		Cumulative Quarter	
	RMB'000	RM'000	RMB'000	RM'000
PRC Income tax expenses	11,765	6,140	31,557	16,612
Deferred income tax liabilities	-	-	-	-
	11,765	6,140	31,557	16,612

PRC Tax

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 25% for current quarter and financial year-to-date. The actual income tax provision is higher than 25% mainly due to provision of deferred tax on the 10% statutory reserve.

6. Status of corporate proposals and utilization proceeds

(a) Utilisation of IPO proceeds

The gross proceeds of RM85,500,000 raised from the Public Issue has been utilised as follows:-

	Proposed Utilization Amount	Actual Utilization Amount	Deviation Amount	Expected Utilisation Period After Our Listing
	RM'000	RM'000	RM'000	
(1) Advertising, branding and promotional	10,777	10,777	-	Within 24 months
(2) Purchase of machineries	29,418	29,418	-	Within 24 months
(3) Purchase of machineries for R&D department	25,005	25,005	-	Within 36 months*
(4) Working capital	10,000	10,000	-	Within 12 months
(5) Estimated listing expenses	10,300	10,300	-	Within 6 months
Total	85,500	85,500		



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7. Group's borrowings and debt securities

The Group's borrowings and debt securities as of 30 June 2014 were as follows:

	RMB'000	RM'000
Amount due to a shareholder (1)	-	-
Bank borrowing (2)	8,800	4,593

Notes:

- (1) The amount due to a shareholder is unsecured, interest-free and repayable on demand.
- (2) The Group's interest-bearing bank loan are guaranteed by :-
 - (i) certain property, plant and equipment;
 - (ii) land use rights;
 - (iii) director's personal guarantee; and
 - (iv) corporate guarantees by external companies and the Group's subsidiaries.

Short-term bank loans bear weighted average effective interest rates of 6.60% per annum.

8. Changes in material litigation

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

9. Dividends

No dividends were declared on or paid by the Group in the current quarter under review.

10. Disclosure item of Profit & Loss:-

		Quarter Ended 30 June 2014		Year to Date Ended 30 June 2014	
		RMB'000	RM'000	RMB'000	RM'000
1)	Interest income;	24,912	13,060	25,599	13,422
2)	Interest expense;	892	465	1,755	920
3)	Depreciation and amortization;	5,685	2,952	14,183	7,436
4)	Impairment loss on fire incident on 4 April 2014	514,266	269,630	514,266	269,630
5)	Foreign exchange (gain) or loss;	(803)	(419)	352	184



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11. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 30 June 2014 and 31 December 2013 are analysed as below:

	As at 30 June 2014		As at 31 December 2013	
	RMB'000	RM'000	RMB'000	RM'000
Total Retained Earnings of the Company and its subsidiaries:				
- Realised	2,389,963	1,265,052	2,337,844	1,254,377
- Unrealised	39,799	21,058	38,623	20,723
Total Group Retained Earnings	2,429,762	1,286,110	2,376,467	1,275,100



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12. Earning per share

		Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
		30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
	Notes	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
(Loss)/Profit attributable to equity holders of the company		(459,818)	117,832	(241,083)	60,979	(405,937)	231,621	(212,833)	119,865
Weighted average number of ordinary share in issue ('000)		1,242,761	1,242,761	1,242,761	1,242,761	1,242,761	1,242,761	1,242,761	1,242,761
Earnings per share									
- Basic (cents/sen)	B12	-37.00	9.48	-19.40	4.91	-32.66	18.64	-17.13	9.64

Notes:

(1) Basic earning per share

Basic earning per share of the Group are calculated by dividing the profit for the quarter ended/year to date ended by the weighted average number of ordinary shares in issue during the financial year.

(2) Diluted earning per shares

There is no diluted earnings per share as there were no potential dilutive ordinary shares outstanding as at end of the current and preceding quarter under review.